

SECTION 9: LAND USE & MARKET

Type of Housing Product

Table 9.11 shows the number of housing units by type of housing product.

Table 9.11: Housing Units by Type of Housing Product (2000)

Area ID	Single-Family Detached	Single-Family Attached	Multi-Family [1]	Mobile Homes	Boat, RV, Van etc.
Aetna	93%	2%	2%	3%	0%
Ambridge Mann	56%	11%	32%	1%	0%
Black Oak	51%	0%	5%	43%	0%
Brunswick	87%	1%	10%	2%	0%
Central	49%	7%	44%	0%	0%
Downtown	45%	6%	49%	0%	0%
Emerson	56%	2%	39%	3%	0%
Miller	58%	3%	37%	2%	0%
Pulaski	61%	11%	28%	0%	0%
Tolleston	75%	5%	19%	0%	0%
University Park	82%	2%	15%	1%	0%
Westside	71%	4%	23%	3%	0%
City of Gary	67%	5%	26%	3%	0%

Source: U.S. Census Bureau and S. B. Friedman & Company

[1] Two or more stacked units

As shown in Table 9.12, detached single-family homes were the predominant housing type in the City, accounting for approximately 67% of the total housing stock. About 5% were attached single-family structures (duplexes and townhouses) and approximately 26% were comprised of multi-family units that included two-flats, three-flats, apartments, and condominiums. Over 80% of all residential units in the Aetna, Brunswick, and University Park neighborhoods were single-family homes. The highest concentrations of multi-family units were located in the central portion of the City in the Downtown, Central, Emerson, and Ambridge Mann neighborhoods. The Black Oak neighborhood also had over 800 mobile home units in multiple mobile home parks.

Table 9.12 shows the total residential units in Gary in 2000 and 2006 by product type, vacancy levels, and the change in housing stock and vacancy. Because the American Community Survey 2006 does not provide data at the block group level, the change in housing product type was not analyzed by neighborhood.

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Table 9.12: Housing Units by Units in Structure (2006)

Type of Housing Product	Number of Units		Change 2000 - 2006
	2000	2006	
Single-Family Detached	29,139	30,251	1,112
Single-Family Attached	1,977	853	-1,124
Multi-Family (2 or more stacked units)	11,262	12,057	795
Mobile Homes	1,252	965	-287
Total Estimated Housing Units	43,630	44,126	496
Total Vacancy	12%	25%	13%

Source: American Community Survey 2006, U.S. Census Bureau

The American Community Survey estimates that the total number of housing units in Gary increased by 500 units between 2000 and 2006. Along with the increase of new units through new construction, the overall vacancy levels in the City are estimated to have increased significantly. Besides out-migration of households, one of the factors resulting in increased overall vacancies could be lag time in leasing and occupancy of the significant number of new units that were built between 2004 and 2006. Over 1,100 new single-family detached homes and nearly 800 multi-family units are estimated to have been added to the Gary housing stock between 2000 and 2006. However, there have also been demolitions of over 1,100 single-family attached units and relocations of nearly 300 mobile homes in that same time period.

Home Values

Table 9.13 shows the absolute home values in year 2000 and 2007 for the owner-occupied housing stock in Gary.

Table 9.13: Home Values, 2000 & 2007 [1]

Neighborhood	2000 Median Home Value	2007 Median Home Value	Percent Change	2000 Rank by Home Value	2007 Rank by Home Value
Miller	\$ 93,241	\$ 120,764	30%	1	1
Ambridge Mann	\$ 56,605	\$ 74,714	32%	2	2
Westside	\$ 53,271	\$ 70,145	32%	3	3
Tolleston	\$ 52,635	\$ 69,403	32%	4	4
University Park	\$ 52,432	\$ 68,712	31%	5	6
Aetna	\$ 51,047	\$ 66,772	31%	6	5

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Downtown	\$ 45,848	\$ 61,437	34%	7	7
Brunswick	\$ 45,057	\$ 60,241	34%	8	8
Central	\$ 43,969	\$ 58,504	33%	9	9
Pulaski	\$ 39,556	\$ 52,418	33%	10	11
Emerson	\$ 38,696	\$ 53,315	38%	11	10
Black Oak	\$ 25,868	\$ 33,963	31%	12	12

Source: ESRI, U.S. Census Bureau, and S. B. Friedman & Company

[1] Not adjusted for inflation

In terms of home values, the Miller neighborhood ranked the highest in both 2000 and 2007. In both years, home values in Miller were approximately 62%-65% higher than those in the next highest neighborhood, Ambridge Mann. Ranking by home value has essentially stayed the same between 2000 and 2007, with some slight shifting among a few neighborhoods. Absolute value growth has been in the 30%-34% range across all neighborhoods, with the Emerson neighborhood experiencing the highest growth in value at 38%.

As shown in Table 9.14, Gary has an aging housing stock as approximately 64% of housing units were built before or in 1959. About 3% of the housing stock, or 1,317 units, have been built since 1990. In general, based on field research, the condition of homes in neighborhoods near the Downtown are fair to poor while those homes in peripheral neighborhoods, such as University Park and Miller, are in fair to good condition.

According to the American Community Survey, the median value for owner-occupied housing units in Gary in 2006 is \$69,100. Table 9.14 also shows that housing value generally decreases with the age of the structure. For owner-occupied housing built after 2005, the median value is approximately 4.5 times greater than the overall median house value.

Table 9.14: Owner Occupied Housing Value by Year Structure Built

Year Structure Built	Number	Percent	Median Value
2005 or later	116	0.3%	\$ 315,900
2000 to 2004	283	0.6%	\$ 192,200
1990 to 1999	918	2.1%	\$ 91,700
1980 to 1989	2,118	4.8%	\$ 124,800
1970 to 1979	4,627	10.5%	\$ 61,600
1960 to 1969	7,884	17.9%	\$ 79,000
1950 to 1959	11,051	25.0%	\$ 72,800
1940 to 1949	6,517	14.8%	\$ 65,000
1939 or earlier	10,612	24.0%	\$ 62,200

Source: American Community Survey 2006, U.S. Census Bureau

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Rental Housing Stock

According to the American Community Survey, the 2006 median rent for the entire rental housing stock is \$637. The overall occupancy rate for all Gary rental housing is 90% (excluding units that are rented but not occupied).

To review the profile of rental housing stock in Gary in greater detail, nine apartment complexes were surveyed. All of these complexes are leased and maintained by management companies as opposed to individuals owning and maintaining rental property. These complexes have over 1,700 rental units and represent about 10% of Gary's occupied rental housing stock. Table 9.15 summarizes the average rent ranges and average square foot ranges by unit type. Unit sizes range from one- to four-bedroom units with rents averaging nearly \$600 for one-bedroom units to nearly \$766 for three-bedroom units. Overall, these developments are operating at an average occupancy of 95%. The relative high occupancy rates indicate that the rental market in Gary is fairly stable. However, there are also some rental properties in the City that are completely vacant and not accounted for in this data.

Table 9.15: Apartment Summary

	Average Rent Range		Average SF Range	
	Low	High	Low	High
Studio	\$ 489	\$ 612	509	N/A
1 bed	\$ 560	\$ 634	681	N/A
2 bed	\$ 620	\$ 758	778	N/A
3 bed	\$ 766	N/A	1,139	N/A
4 bed	\$ 936	N/A	1,213	N/A
Number of Apartment Complexes				9
Average Occupancy Rate				95%

Source: American Community Survey 2006, U.S. Census Bureau

Rehabilitation Activity

Rehabilitation of the existing housing stock is an important step toward the revitalization of many of Gary's neighborhoods. In those areas where the housing stock is in fair or poor condition, rehabilitation increases both property values and quality of life.

Currently there are several mechanisms in place to assist homeowners interested in rehabilitating their properties. The City of Gary has established the Comprehensive Rehab Program to aid such efforts. Under the Rehab Program, homeowners that make up to 80 percent of the area median income (AMI) may be eligible for a deferred loan of up to \$25,000 to spend towards rehabilitation. (The 2007 AMI for Gary is \$60,100 for a family of four.) Qualified

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home repairs include fixing code violations, improving energy efficiency, room additions, and kitchen and bathroom remodeling. Along with this, homeowners are assisted through the Homeownership Opportunity Network in their application for a bank loan to obtain refinancing for the proposed rehabilitation.

In order to encourage neighborhood stability, the Comprehensive Rehab Program requires that the loan recipient maintain residence at the location to be rehabilitated as his or her principal residence for ten years. If the title to the home is transferred during that period—through a sale or other means—a portion of the funds will be recovered by the City. The portion of the funds owed to the City decreases over the course of the ten year period. This stipulation is to ensure that homes are not only being rehabilitated but also being occupied by owners, aiming to increase neighborhood stability.

Beyond the City's Comprehensive Rehab Program, non-profit development corporations are active participants in the residential rehabilitation work in Gary. For example, the Glen Park Community Development Corporation (CDC) provides comprehensive rehab loans of up to \$25,000 to homeowners. The household income of the applicant cannot be above 80 percent of the AMI. This loan can be obtained by those homeowners who do not qualify for loans through the City of Gary. The Glen Park CDC uses the funds through the Community Development Block Grant (CDBG) to finance the rehabilitation. Also, the Glen Park CDC is actively rehabilitating homes in the University Park area and reselling those homes to homebuyers with household incomes at 80 percent of the AMI or less.

Resale Activity

The resale of existing homes provides an opportunity for existing residents to purchase a home and for new residents to relocate to Gary. Home sales data from Melissa DATA Corp. (which serves as the multiple listing service in Gary) was reviewed to analyze recent home resale activity in Gary.

Based on 617 home sales recorded up to July 2007, the average resale price of housing located in zip codes overlapping the City is approximately \$89,000. Figure 9.17 shows the variation of home sale prices by zip code. The average home sales price ranges from approximately \$79,000 to \$100,000. Although the average sales prices do not vary greatly between zip codes, it is important to note that the variation within a zip code can be significant. For example, in zip code 46403, the Miller neighborhood has home sale prices upwards of \$350,000 while the Aetna neighborhood has prices significantly less than the city-wide average sale price.

New Construction Building Permit Trends

Annual building permit data in Gary was reviewed to assess the scale of development activity within the City. Table 9.16 shows the total number of housing units permitted by product type.

Table 9.16: Number of New Construction Units Permitted by Product Type

Year	Single-Family Units [2]	Multi-Family Units	Total Permits
2000	6	-	6
2001	4	-	4
2002	17	-	17
2003	73	132	205
2004	33	33	66
2005	28	36	64
2006	20	17	37
2007[1]	13	17	30
Total Permits	194	235	429
Average Annual Permits	25	30	54

Source: U.S. Census

[1] Includes permits up to November 2007.

[2] Includes both attached and detached units.

Since 2000, Gary has issued permits for the construction of 429 new residential units at an average rate of 54 units a year. This is roughly consistent with the American Community Survey estimate of nearly 500 units constructed between 2000 and 2006. The slight discrepancy may be partially accounted for by the time lag between permitting and new construction. Approximately 194 units, or 45% of the total units permitted, were single-family detached and attached (duplex and townhome) units, and the remaining 235 were multi-family units. Permitting activity was the strongest between 2003 and 2005 (the period of the nationwide housing boom). Development activity appears to have slowed from 2006 onwards. With the onset of the nationwide housing slowdown, development activity may continue to be slow over the next two or three years.

Recent Development Activity

Recent housing developments in Gary were reviewed to obtain an understanding of the physical and market characteristics of new housing being developed in the City. Field surveys and interviews with City staff, developers, and realtors were conducted to identify recently completed and/or active residential projects that currently have units being sold/leased in the City and planned projects that may be constructed in the near future. Figure 9.18 shows the active and planned residential developments surveyed in Gary and surrounding communities. In

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Gary these include market-rate housing that have no maximum income restriction and affordable housing projects that are reserved for low-income households earning less than the AMI. Projects in surrounding communities which constitute the competitive market for Gary are discussed later in this section.

For-Sale Market-Rate Housing

As shown in Figure 9.18, the market-rate housing projects are located in the northeastern portion of the City in the Miller neighborhood and in the central part of Gary in the Downtown, Midtown, Tolleston, and University Park neighborhoods. Miller, which is located along Lake Michigan, is the most affluent neighborhood in Gary. This neighborhood is able to attract higher-end luxury housing projects that are priced significantly higher than homes in other parts of the City. Table 9.17 shows the summary market data for these different housing projects and descriptions are included below.

Table 9.17: For-Sale Market-Rate Projects in Gary

ID #	Project Name/ Location	Type	Number of Units	Price	Square Footage	Average Price per Square Foot	Time Open Months	Units Sold	Estimated Monthly Absorption
1	Small Farms	Single-Family	146	\$230,000 ¹	N/A	N/A	96	89 ²	0.93
2	Kingdom Builders Development	Single-Family	8	\$135,000	1,500	\$90	3	6	2.00
3	JJF Holdings, LLC	Single-Family	15	\$150,000-\$160,000	1,300-1,800	\$83-\$123	N/A	2	N/A
4	Josephine B. Lowery Condos	Condos	16	\$111,000-\$120,000	1,360-1,435	\$81-\$83	56	10	0.18
5	Beach Pointe Condos	Condos	12	\$195,000-\$240,000	1,187-1,353	\$164-\$177	0	0	0
6	East Edge at Miller Beach	Single-Family	12	\$409,000 - \$519,000	1,911-2,943	\$176-\$214	28	3	0.11
		Townhomes	16	\$295,000-\$299,000	1,776-1,843	\$162-\$166	28	5	0.18

Source: City of Gary and S. B. Friedman & Company

[1] Home price estimated from average mortgage cost of \$209,000 and assumes a 10% down payment.

[2] Unit sales are estimated based on lot sales from 2000 to 2006, assuming that on average a home takes two years to be built once a lot is sold.

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East Edge at Miller Beach is a 28-unit development, with a mix of single-family homes and townhouses. It is located in Gary's Miller neighborhood near Lake Michigan. Units range from two- to four-bedrooms. Townhomes range in price from \$279,000 to \$299,000 and single-family homes range in price from \$409,000 to \$519,000. Most homes are two stories and all units have garages. Buyers at the East Edge development will receive ten years of property tax abatement.

Beach Pointe is a condominium development in Miller Beach that is currently awaiting development approval from the City. It is proposed to have 16 two-bedroom/two-bath units ranging in size from 1,187 to 1,353 square feet. The units are priced between \$195,000 and \$240,000.

Small Farms is a major redevelopment undertaking initiated by the Gary Department of Redevelopment in 1969. The project area covers several City blocks and is roughly bounded by 21st Street to the north, I-80/I-94 to the south, Grant Street to the east, and Clark Road to the west. Over the years, the City has acquired land in this area and sold lots to homebuyers seeking to build single-family homes. To be able to purchase a lot potential buyers must secure a homebuilder, provide final plans of the proposed home, and provide a letter of commitment from a financial institution indicating that the buyer has the finances to build a house.

While vacant lots for additional development still exist in the Small Farms area, this targeted investment strategy and the relatively large-scale redevelopment effort have resulted in revitalized and stable neighborhood areas. Since 1992 (the year from which lot sales data was recorded) 127 lot sales have occurred for the development of single-family homes. Nearly 80 percent of these, or 100 lot sales, have occurred since 2000. Accounting for an average of two years of lag time between lot sales and home construction, approximately 80 to 90 units would have been constructed since 2000, indicating an average absorption rate of approximately 0.85 to 0.95 units per month.

One of the incentives for purchasing lots in the Small Farms area is the availability of lots at below-market rates and a 10-year property tax abatement. The average price of a lot for developing single-family homes has been approximately \$1,000. The average mortgage amount for the homes built as part of the development is \$209,000, which would suggest a price of approximately \$230,000 for the single-family homes, assuming a 10 percent down payment.

There are currently 46 lots (approximately eight acres) remaining to be developed. At current absorption rates the Small Farms area would be built out in three to five years.

Kingdom Builders Development is comprised of 260 lots throughout the City and is scheduled to be developed in four phases. Phase I is located at 40th and Broadway in the University Park neighborhood. Eight single-family homes are being developed as a part of this phase, of which six have sales contracts already in place. These homes are 1,500 square feet in size and are priced at \$135,000. Phase II of the development will be between 11th and 22nd streets east of Broadway. The 3rd and 4th phases are not yet planned.

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JJF Holdings has built two homes at 19th Avenue and Hayes Street in the Tolleston neighborhood and has plans to build 13 more. These homes, ranging in size from 1,800 to 2,300 square feet, have three to four bedrooms and are priced between \$150,000 and \$160,000. While there are no income requirements, homebuyers are able, if eligible, to receive down payment assistance from HUD.

Josephine B. Lowery Condominiums have been constructed by the St. Timothy Community Development Corporation. These are two-story condominiums containing 16 units, 10 of which have been sold to date. Unit sizes range from 1,360 to 1,435 square feet and the prices range from \$111,000 to \$120,000.

Planned market-rate projects in Gary were also reviewed. Planned projects are projects that are contemplated for development but do not yet appear to have approvals and/or a defined time frame for delivery. As shown in Table 9.18, there are currently five planned projects in Gary in the predevelopment stage. These projects are expected to start marketing in the next two to three years and most of these projects are located in or near the downtown area.

Table 9.18: Planned Market For-sale Projects: Single and Multi-Family

Map ID	Project Name	Type	Total Units
1	Jefferson Park	Single-Family	20
2	Horace Mann Phase II	Single-Family	N/A
		Three Flats	N/A
		Townhomes	N/A
3	Ivanhoe Gardens	Single-Family	N/A
4	Sheraton Condominiums	Condos	20
5	New Gary Development Group Townhomes	Townhomes	39
Total			at least 79

Source: City of Gary and S. B. Friedman & Company

Affordable For-Sale Housing

There are multiple developments underway to provide affordable, new construction housing in the City of Gary; Table 9.19 shows the active, affordable, for-sale housing in Gary. As shown in Figure 9.18, most of these developments are located in or close to Midtown. These projects, developed by non-profit organizations, provide quality, affordable housing and are helping in the revitalization of the Midtown neighborhood. The development of new homes is starting to create an active residential environment that could potentially attract further new development.

The Indiana Housing and Community Development Authority gave the City of Gary an Improving Neighborhoods Through Revitalization (INTR) grant of \$1 million towards the development of 16 homes in the Midtown neighborhood. The program is meant to turn vacant or neglected lots into affordable housing and allows the Gary Department of Community

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Development to provide a grant or loan to housing developers. Habitat for Humanity and the Broadway Community Development Corporation have received initial no-interest loans to assist their efforts to provide affordable housing in Midtown. Their specific projects are discussed below. Summary market data for the projects is shown in Table 9.19.

Table 9.19: Market Profile for Affordable For-Sale Units

ID #	Project Name/ Location	Type	Number of Units	Price	Square Footage	Average Price per Square Foot	Time Open Months	Units Sold	Estimated Monthly Absorption
1	Broadway Area CDC	Single-Family	36	N/A	1,100-2,000	N/A	60	25	0.42
		Duplex	N/A	N/A	N/A	N/A	N/A	2	N/A
2	Habitat for Humanity	Single-Family	20	\$100,000	1,120-1,300	\$77-\$89	N/A	6	N/A

Source: City of Gary and S. B. Friedman & Company

Broadway Community Development Corporation is a local community development group that is currently building 36 single-family homes in the Midtown neighborhood. This is a mixed-income project with six homes being market-rate and the remaining affordable. To date, 25 units have been built and sold. To minimize risks, the Broadway CDC does not do speculative construction; homes are constructed only after sales contracts are finalized. The CDC is also building duplex units near the single-family homes. Two units have been sold so far. In order to be eligible to purchase units, homebuyers must have a minimum annual household income of \$35,000.

Habitat for Humanity is an international, non-profit housing organization and has built six single-family homes in Midtown with plans to build 14 more. The schedule for the development of the remaining homes is dependent, in part, on the availability of land and the identification of qualified applicants. Habitat homes have sold for \$100,000 and monthly payments are approximately \$600. The minimum income level required to purchase a home is equal to 50 percent of the area median gross income, which is \$30,700 for a family of four. Those who receive a house must also put in a minimum number of volunteer hours constructing their home and other Habitat homes.

In addition to these developments that are already underway, at least six more projects with more than 200 affordable homes are being planned for development in Gary. These are listed in Table 9.20. When completed, these projects will substantially increase the affordable housing stock in Gary.

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Table 9.20: Planned Affordable Housing Development

ID #	Project Name	Type	Total Units
1	University Park, Phase I	Single-Family	10
2	Midtown, Phase I	Single-Family	50
3	Midtown, Phase II	Single-Family	65
4	Glen Park CDC	Single-Family	20
5	800 Connecticut	Single-Family	50
6	CR Works Transitional Housing	Single-Family/Duplex	11
Total			206

Source: City of Gary and S. B. Friedman & Company

Rental Market Activity

As described in the Existing Housing Profile section, market-rate rents in Gary range from \$560 for a one-bedroom unit to \$766 for a three-bedroom unit. These rents are below the cost of new construction for rental housing. The cost of building new rental housing in the Gary area can range from \$120 to \$160 per square foot. Successfully financing for this type of housing product would require rents ranging from \$1,200 for a one-bedroom unit to \$1,500 for a three-bedroom unit. As a result, market-rate rental housing has not been developed in Gary in recent years. New rental housing construction has been limited to projects that have received public subsidies such as HOPE VI grants and Low Income Housing Tax Credits (LIHTC). These projects, financed through public subsidies, are restricted to lower-income households earning less than the Area Median Income.

From an affordable housing perspective, market rents are well below Lake County's LIHTC rent limits. Lake County's 2006 maximum rent limits at 60% of the AMI are \$645 for a studio/efficiency apartment, \$690 for a one-bedroom, \$829 for a two-bedroom, \$957 for a three-bedroom, and \$1,068 for a four-bedroom apartment. In most cases, market rents within Gary are more than 15% less than maximum tax credit rents at 60% of the AMI.

Two rental projects that have had a significant impact in Gary are Duneland Village and Horace Mann apartments. They are both part of the \$20 million HOPE VI grant received from the federal government. The HOPE VI program was created in 1993 and is managed by the U.S. Department of Housing and Urban Development. The program offers revitalization grants to public housing authorities that have severely distressed public housing units in their inventory. The program reduces the number of public housing units in one location and replaces them with mixed-income, lower-density developments.

Duneland Village was the first redevelopment project associated with HOPE VI. Duneland Village is a neighborhood-oriented residential development located in the Miller neighborhood. It has a total of 131 units consisting of 49 public housing units, 49 low-income housing tax credit

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units, and 33 market-rate units. Rents range from \$535 for one-bedroom units to \$925 for three-bedroom units. Duneland Village also has several community amenities including a baseball field, playground, basketball court, an outdoor swimming pool, and a community center with a fitness room. It was completed in 2005 and is currently at 98 percent occupancy.

Horace Mann is the second project completed under the HOPE VI grant. It is a 123-unit development with a mix of 45 public housing units, 45 low-income housing tax credit units, and 33 market-rate units. Overall, the development will be comprised of 28 residential buildings with a mixture of townhouse and garden units, ranging from one to four bedrooms. In the Horace Mann development, there is a community building with an outdoor swimming pool and indoor exercise room. This redevelopment is located in close proximity to Broadway Avenue, Downtown Gary, and the Steelyard Stadium. The creation of this attractive and high-quality public housing development is helping to stabilize the neighborhood and create a more livable, vibrant environment.

There are two affordable rental projects planned in Gary, as shown in Table 9.21. Both projects are funded through the Indiana Housing and Community Development Authority's (IHCDA) Rental Housing Tax Credit program. The two projects will yield 157 new rental units with two-thirds dedicated to senior housing. The Dalton Apartments project is the rehabilitation of an existing vacant building. The IHCDA has also funded several rehab projects of existing Section 8 projects through the tax credit program.

Table 9.21: Planned Rental Housing

ID #	Project Name	Type	Total Units
	Dalton Apartments	Section 42 Senior Rental	57
	Serenity Senior Development	Section 42 Senior Rental	100
Total			157

Source: City of Gary and S. B. Friedman & Company

Competitive Regional Housing Market

To get an understanding of the competitive market for the new housing being developed in Gary, building permits were reviewed and a sample of new housing developments in adjacent communities was analyzed. The adjacent communities included East Chicago, Hammond, Highland, Griffith, Merrillville, Hobart, New Chicago, Lake Station, Portage, and Indiana Dunes. Table 9.22 shows the building permit activity in Gary and adjacent communities between January 2000 and November 2007.

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Table 9.22: Building Permit Analysis

Permits Issued 2000-2007	Gary	Adjacent Communities	Total Regional Market	Gary Market Share
Single-Family Permits	194	3,776	3,970	5%
Multi-Family Permits	235	2,253	2,488	9%

Source: U.S. Census and S. B. Friedman & Company

Building permit data indicate that the total regional market area including Gary and adjacent communities has experienced significant residential development since 2000. Nearly 4,000 single-family detached and attached units, and nearly 2,500 multi-family units, were permitted in this time frame. Nearly 80% of all single-family development (attached and detached) and nearly 90% of all multi-family development occurred in the communities of Hobart, Portage, and Merrillville. While Gary represents a quarter of the population base of the total market area, its share of housing activity (as measured through permits for new construction in the past seven years) is less than 5% for single-family development and less than 10% for multi-family development. This indicates that the majority of housing development has occurred in suburban communities.

Table 9.23 presents a comparison of for-sale market-rate housing developments in Gary and adjacent communities. Figure 9.18 shows the spatial distribution of these projects in the regional market.

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Table 9.23: Comparison of For-Sale Market-Rate Housing

	Miller Area in Gary	Other Areas in Gary	Adjacent Communities
Number of Projects Surveyed	2	4	9
Average Project Size [1]	20	13	38
Unit Price (\$000s)			
Single-Family	\$409-520	\$135-230	\$170-275
Condos and Townhomes	\$195-299	\$111-120	\$125
Average Price per Square Foot			
Single-Family	\$176-214	\$83-123	\$108-140
Condos and Townhomes	\$164-\$177	\$81-83	\$89-125

Source: City of Gary and S. B. Friedman & Company

[1] Average Project Size excludes Small Farms.

As shown in Table 9.23, housing projects in adjacent communities tend to be larger than those in Gary. The City-initiated Small Farms project, which is of significant scale, has not involved a phased development process by residential developers where homes are marketed to potential home-buyers. Instead, lots are sold by the City to individual home-owners who then secure their own builders to build homes on their lots. Because of its unique nature, the Small Farms project is not included in the average project size calculation for Gary. Housing developments in adjacent communities are mostly developer-driven and marketed in a conventional manner through newspaper and internet advertisements, billboards, and on-site model homes. In comparison, as previously described, most Gary projects outside the Miller neighborhood are initiated/developed by non-profit organizations, CDCs, and the City. Marketing for many of these projects is limited to the Multiple Listing Services (MLS) and informal channels such as community meetings, church bulletin boards, and word-of-mouth.

Single-family home prices in the surrounding communities are 20 to 25 percent higher than in Gary, and the condo and townhome prices are up to 13 percent higher. One of the key factors that enable new housing products to be priced lower than those surrounding is the availability of land at prices significantly below market (for example in Small Farms, single-family lots have been available at \$1,000 per lot, while market-rate land prices start at \$15,000 per lot). The Miller neighborhood in Gary is an exception with significantly higher home prices compared to the rest of the City and the surrounding communities. The existing up-scale housing and waterfront access have attracted luxury developments to this neighborhood, resulting in higher home prices.

Table 9.24 presents a comparison of rental developments in Gary and adjacent communities.

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Table 9.24: Comparison of Rental Housing

Unit Size	Gary	Adjacent Communities
Studio	\$489-612	\$464-530
1 bed	\$560-634	\$560-626
2 bed	\$620-758	\$661-713
3 bed	\$766	\$852-950

Source: City of Gary and S. B. Friedman & Company

Overall, the average rents for one- and two-bedroom units in Gary are slightly higher than the rest of the market for the projects surveyed. One of the factors contributing to the higher rents in Gary relative to the rest of the market is the fact that the rental projects surveyed in Gary are relatively newer than the projects in surrounding communities. Fewer new rental projects were developed in the suburban communities in the regional market. Rents in both Gary and the regional market area are not high enough to support new market-rate development. The majority of new rental development that has occurred in the market is supported by federal programs such as LIHTC and is restricted to households earning 60 percent or less of the AMI. As shown in Table 9.25, over the past seven years the vast majority of new tax credit rental development (56 percent in terms of number of projects and 63 percent in terms of number of units) in the market has occurred in Gary.

Table 9.25: Rental Projects Financed by LIHTC

City	Number of Projects	Number of Units
Gary	13	1,467
Hammond	5	432
East Chicago	3	192
Merrillville	1	96
Hobart	1	80

Source: City of Gary and S. B. Friedman & Company

Future Housing Demand

Gary offers a wide range of housing products at various price points that can attract households with varying income ranges. The specific product types and target demographic segments in terms of annual household income that could be supported in Gary were analyzed. Additionally,

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the absolute size and the net change in the number of targeted households by age and income cohorts were analyzed to assess the demand potential for various housing products. Focusing in the regional housing market, Table 9.26 summarizes the estimated household base in 2007 by age and income and Table 9.27 summarizes the projected change in households by age and income over the next five years.

Target Housing Products and Demographic Market Segments

The target housing products and related demographic segments are discussed below.

Moderately Priced For-Sale Housing: Due to the relatively lower land costs, new construction single-family units in Gary (outside of Miller) are priced from \$135,000, which indicates that households earning \$45,000 or more can afford a new home assuming that they spend up to 30% of their income on housing costs (including mortgage, mortgage insurance, and property taxes). In comparison, households would need to earn approximately \$60,000 to be able to afford the home prices associated with starting new construction at \$175,000 in most communities surrounding Gary. Therefore, Gary is in a unique position to be able to attract moderate income households earning \$45,000 to \$60,000 who are seeking new single-family homes ranging from \$135,000 to \$175,000. Similarly, condominium and townhome products in Gary can attract households with annual incomes between \$35,000 and \$45,000. The relatively lower price per square foot of new homes in Gary also indicates that homebuyers can get larger homes at a lower price in Gary. For comparable unit prices, home sizes in Gary tend to be 10% to 15% larger than homes in surrounding communities. This suggests that single family homes in the City are likely to be competitive even at higher prices (ranging from \$175,000 to \$230,000). These homes have the potential to attract households earning \$60,000 to \$75,000 that are seeking relatively larger homes, Gary's urban amenities such as the sports stadiums (U.S. Steelyard and Genesis Center), and the South Shore Commuter rail line that connects to downtown Chicago. Therefore, the overall target demographic segment for moderately priced homes in Gary is households earning \$35,000 to \$75,000.

As shown in Table 9.26, there are over 51,000 moderate-income households earning \$35,000 to \$75,000, which represents approximately 35% of the total household base in the market. While households in this income group are projected to decline marginally over the next five years, the absolute size of this income cohort suggests that moderately priced market-rate projects in Gary could attract households from this buyer pool.

Higher-End For-Sale Housing: Parts of the Miller neighborhood in Gary attract premium home prices because of the adjacency and access to the lakefront and the existing base of high-quality housing stock. With new-construction, single-family home prices in excess of \$400,000, the Miller neighborhood can attract households earning \$130,000 or more. Additionally, empty-nester householders are typically well invested in their existing homes and can transfer equity in existing homes towards the purchase of new homes. This allows such empty-nester householders to purchase homes at incomes slightly lower than the typical ranges mentioned above. Condominiums and townhomes in Miller range from \$195,000 to \$300,000 and can attract households earning \$65,000 to \$100,000.

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Projections indicate that nearly 5,500 new households earning \$100,000 or more will be added to the regional market. The significant growth in higher-income households implies that higher-end luxury projects in Miller have the potential to capture a share of this growing demographic segment.

Rental Housing: As discussed earlier, most of the new rental housing projects financed by LIHTC (Section 42) in the region are located in Gary while relatively few are being developed in the suburban communities. LIHTC funding generally enables good quality senior and family rental products. Therefore, Gary can continue to pursue LIHTC funds to build quality rental housing within the City. Section 42 units are available to households earning between 30% and 60% of the AMI. For one- and two-person households that typically form a significant portion of Section 42 project occupants, this translates to an annual income range of approximately \$13,000 to \$30,000.

Over 31,000 households in the regional market earn between \$15,000 and \$35,000 (the income cohorts which mostly overlap the target annual income range for Section 42 projects). Additionally, nearly 11,100 households, or over 35 percent of these low-income householders, are senior householders. While there is marginal change projected in these demographic segments over the next five years, the number of senior households will increase as the baby boomers (people born between 1946 and 1964) enter retirement age. This is likely to translate to a strong demand for affordable senior housing in the future.

A demographic analysis also shows that a key change over the next five years is the projected addition of nearly 5,000 new empty-nester households (55 to 64 years old) and nearly 900 senior households (65 years and over). The increase in empty-nester households is projected for all age and income cohorts. The rise of the empty-nester and senior households parallels the nationwide demographic trend of the aging of the baby boomer generation. While the majority of empty-nester householders in this market are likely to choose single-family homes, this demographic segment typically has a higher propensity to choose multi-family for-sale housing products such as condominiums and townhomes. The projected growth in empty-nester households suggests that Gary could test the market for condominium and townhome products. Additionally, as the baby boomer generation continues to age there will be a growing demand for affordable and market-rate senior housing.

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Table 9.26: 2007 Households by Age and Income (2007 \$s)

	<25	25-34	35-44	45-54	55-64	65-74	75+	Total
<\$25,000	3,000	6,073	5,092	5,614	4,821	5,748	7,933	38,281
\$25,000 to \$34,999	724	2,884	2,687	2,278	2,034	2,358	2,145	15,111
\$35,000 to \$49,999	704	4,112	4,259	4,210	3,137	2,529	2,153	21,103
\$50,000 to \$74,999	738	5,813	6,366	7,814	5,483	2,632	1,811	30,657
\$75,000 to \$99,999	489	3,176	4,488	6,080	3,486	1,511	1,295	20,524
\$100,000 to \$149,999	502	1,768	2,422	5,184	3,732	1,071	1,107	15,785
\$150,000+	422	768	797	1,461	1,236	660	955	6,298
Total	6,579	24,594	26,111	32,640	23,928	16,508	17,399	147,759

Source: ESRI and S. B. Friedman & Company

Table 9.27: Household Change by Age and Income: 2007-2012 (2007 \$s)

	<25	25-34	35-44	45-54	55-64	65-74	75+	Total
<\$25,000	56	(2)	43	(468)	973	316	(579)	337
\$25,000 to \$34,999	(83)	(71)	37	(19)	416	(91)	(324)	(137)
\$35,000 to \$49,999	(73)	(329)	(247)	(254)	700	(148)	(385)	(735)
\$50,000 to \$74,999	15	(331)	(322)	(665)	605	121	162	(415)
\$75,000 to \$99,999	(7)	(441)	(897)	(845)	472	66	109	(1,542)
\$100,000 to \$149,999	141	573	539	699	1,377	493	658	4,480
\$150,000+	(92)	99	129	2	402	339	121	1,000
Total	(43)	(502)	(718)	(1,552)	4,945	1,096	(238)	2,988

Source: ESRI and S. B. Friedman & Company

Future Development Opportunities

As demonstrated by the building permit analysis and the supply of active and planned projects, Gary has not attracted its “fair share” of residential development in the market area. However, recent residential projects promoted by public programs such as HOPE VI and non-profit organizations have generated residential development activity that is resulting in revitalized neighborhoods. Additionally, new market-rate residential projects offering various product types, including single-family homes and townhome and condominium units, are being actively developed or are planned in various neighborhoods in the City. The current housing market downturn might slow development activity in Gary for the next two to three years, but over the long term the momentum generated by the new residential projects will likely result in the continued success of planned projects and could potentially stimulate new residential development. The potential opportunity areas and the type of residential opportunities include:

Downtown Gary: The area covered by the West Downtown and Emerson neighborhoods contains the civic core of the City; as is, the Downtown area is poised for significant redevelopment. The train station located just west of Broadway and Fourth Avenue provides a connection to Chicago through the Northern Indiana Commuter Transportation District’s South

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Shore Rail Line and presents an opportunity for transit-oriented development in the area. There is an emerging potential for an entertainment district with new restaurants on Fifth Avenue around the Minor League baseball stadium. The Horace Mann development has added 123 new residential units at Sixth Avenue and Washington. The remaining phases of Horace Mann will add 80 new mixed-income residences of varying housing types including single-family residence, town homes, and three flats in the West Downtown area. The “City Center” Sheraton Senior development, a proposal to convert a former hotel into a mixed-use project consisting of ground level commercial, senior housing, and condominiums, will further add new households Downtown. The relatively high vacancy levels east of Broadway in the Emerson neighborhood provide further opportunities for redevelopment. As these commercial and residential developments occur, a higher density, mixed-use, transit-oriented environment can be created in Downtown Gary, providing convenient access to a variety of civic, commercial, and restaurant uses for residents. This could include a mix of Section 42 apartments, condominiums, townhomes, and smaller-lot, single-family homes.

Miller Neighborhood: This primarily residential area contains the most affluent households within the City. Two market-rate projects offering various residential product types, including single-family homes, townhomes, and condominiums, are currently being marketed in the area. Waterfront access has resulted in premium home prices in the area; new homes in the area are priced approximately two to four times higher than similar projects elsewhere in the City. The high desirability of the neighborhood makes it an attractive location for new residential development. Peripheral areas such as residential blocks at Lake Street and Birch Avenue currently have high vacancies and deteriorated parcels and may provide redevelopment opportunities for condominiums, townhomes, and single-family homes. Additionally, transit-oriented development opportunities might exist near the South Shore Line train station located near U.S. 20 and Lake Street.

Concentrated Vacant Areas: There is a very high concentration of vacant lots in the area located between Clark and Chase south of 25th Avenue. Additionally, the Midtown area located just south of Downtown has several blocks with numerous vacant lots. These areas provide an opportunity for residential redevelopment to improve neighborhood stability and vitality. Although the City has targeted the Midtown area for redevelopment, several projects are already underway or planned there.

Infill Opportunities throughout the City: Most of the vacant housing stock in the City is deteriorated and could be replaced with new rehabilitated housing. Additionally, there is a significant amount of vacant land throughout the City. These vacant and underutilized areas offer redevelopment opportunities. In areas where several lots can be consolidated for redevelopment, the potential exists for larger, planned developments. Infill housing can also be developed on individual sites. Private interests such as Kingdom Builders Development and non-profit organizations such as Habitat for Humanity are actively engaged in similar residential development throughout the City.

Strategies for Promoting Housing Development

In order to successfully realize the future housing development opportunities and revitalize its neighborhoods, the City of Gary could consider the following strategies:

- Creating larger redevelopable areas by acquiring adjacent vacant/underutilized lots. Consolidated redevelopment tends to have a greater revitalizing effect than scattered, infill development. Therefore, the City could prioritize land acquisition in areas with high vacancies and/or are adjacent to existing City-owned property within the target opportunity areas discussed above. A similar approach has been successfully followed by the City in the Small Farms project.
- Promote larger-scale projects of 25-50 units by making larger redevelopable areas available to the development community. Currently, many of the residential projects in Gary are of a smaller scale (10-20 units) compared to the regional market where the typical project size ranges from 50-100 units. Larger projects would likely have a more significant impact in revitalizing the neighborhoods and could also potentially afford more conventional marketing such as newspaper advertisements, project websites, and on-site model homes.
- Develop master plans for key targeted redevelopment areas such as Midtown and Downtown that have opportunities for assembling large areas of vacant land. The master plans should incorporate amenities such as parks and community facilities and provide multiple residential product types priced to attract the target demographic segments discussed earlier. Residential projects that are a part of a larger master plan tend to be successful because they can present a cohesive neighborhood environment and are generally of a sufficient scale (100 units or more) to accommodate the amenities mentioned above. Additionally, these tend to be higher-profile projects with greater market visibility and are more attractive to potential home-buyers. Horace Mann and Duneland Village, which are successful, master-planned projects providing affordable housing in Gary, have used HOPE VI and LIHTC funds. The City could encourage similar market-rate developments. To minimize risk, such developments would need to be incrementally phased into smaller project sizes of 25 to 50 units and would need to ensure that the development of public infrastructure and amenities keep pace with project absorption.
- Proactively solicit developers to implement individual projects or phases of adopted redevelopment master plans. Many of the recent residential projects in Gary have involved developments by non-profit organizations and CDCs. While these have resulted in successful redevelopment, increased involvement of for-profit developers can potentially increase the pace of housing development within the City. Because developers have a profit motive they tend to have more aggressive marketing programs and quicker timelines for project completions. Currently, there are several project proposals by

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private developers such as Ivanhoe Gardens, Sheraton Condominiums and Senior Housing, and the New Gary Development Group Townhomes, indicating that there is increased interest in Gary from the development community. The City could consider establishing an on-going qualification process to prepare an approved list of developers that would be pre-qualified to be able to bid for developing City-owned land. Then, as blocks of land become available, the City could either seek competitive bids through a Request for Proposals (RFP) or negotiate with these pre-qualified developers. Soliciting developers through such a process would likely results in a more favorable response from the development community because it minimizes up-front costs for preparing a development proposal.

- Building on the success of Horace Mann and Duneland Village, continue to seek federal grants such as HOPE VI to facilitate the redevelopment of older public housing projects with new mixed-income developments. Additionally, the City could actively promote the development of senior and family affordable housing with LIHTC and/or Home Funds to provide higher-quality housing for its lower-income households.
- Continue the Comprehensive Rehab Program and identify target areas within the City that could be prioritized for rehabilitation of the existing housing stock. In addition to attracting new housing development, maintaining and upgrading the existing housing stock is important for sustaining neighborhood vitality.

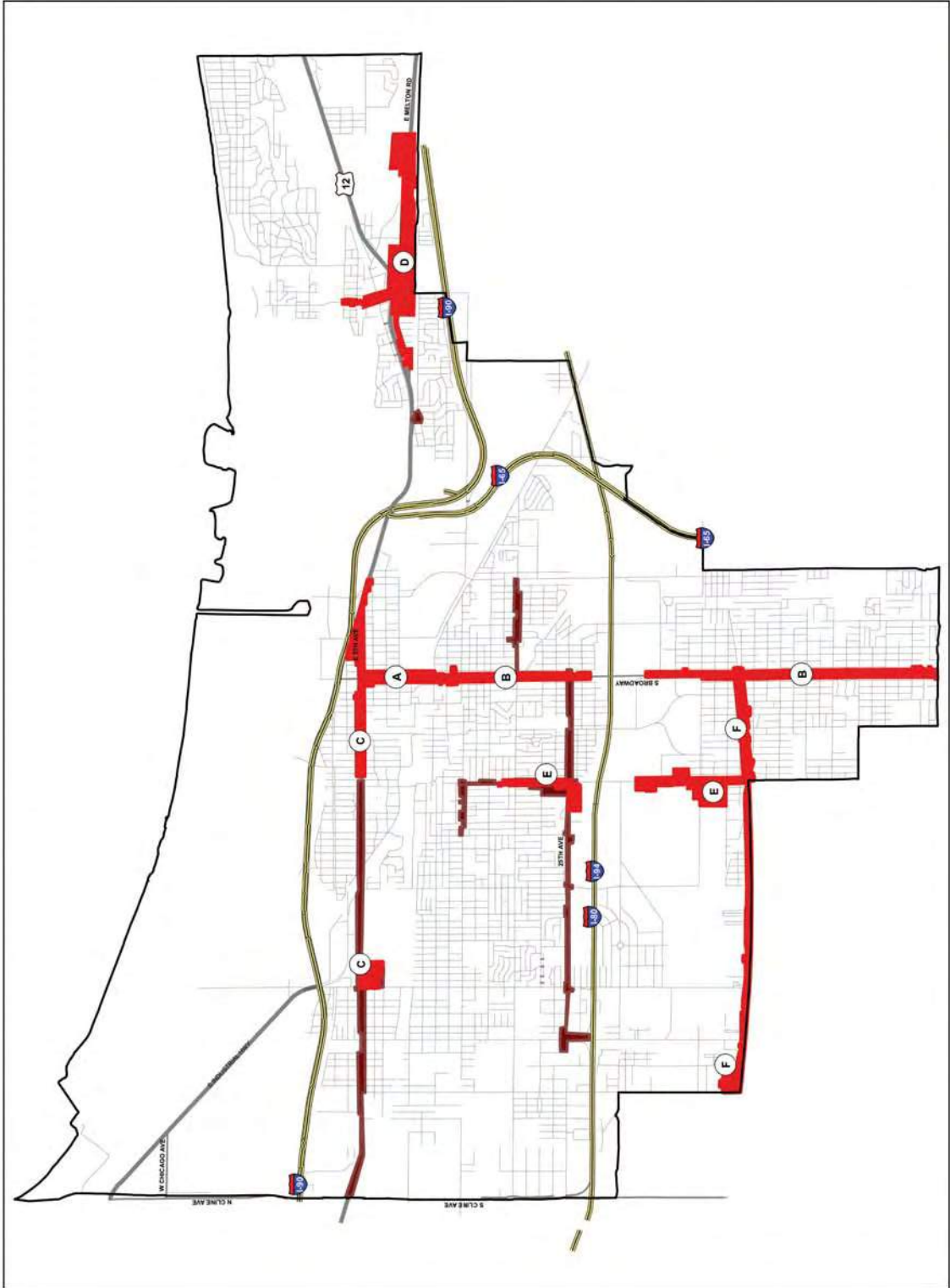


Figure 9.1: Primary and Secondary Commercial Districts in Gary

Legend

- Primary District
- A. Downtown
- B. Broadway
- C. Fifth Avenue
- D. Lake Street & US 20
- E. Grant Street
- F. Ridge Road
- Secondary District



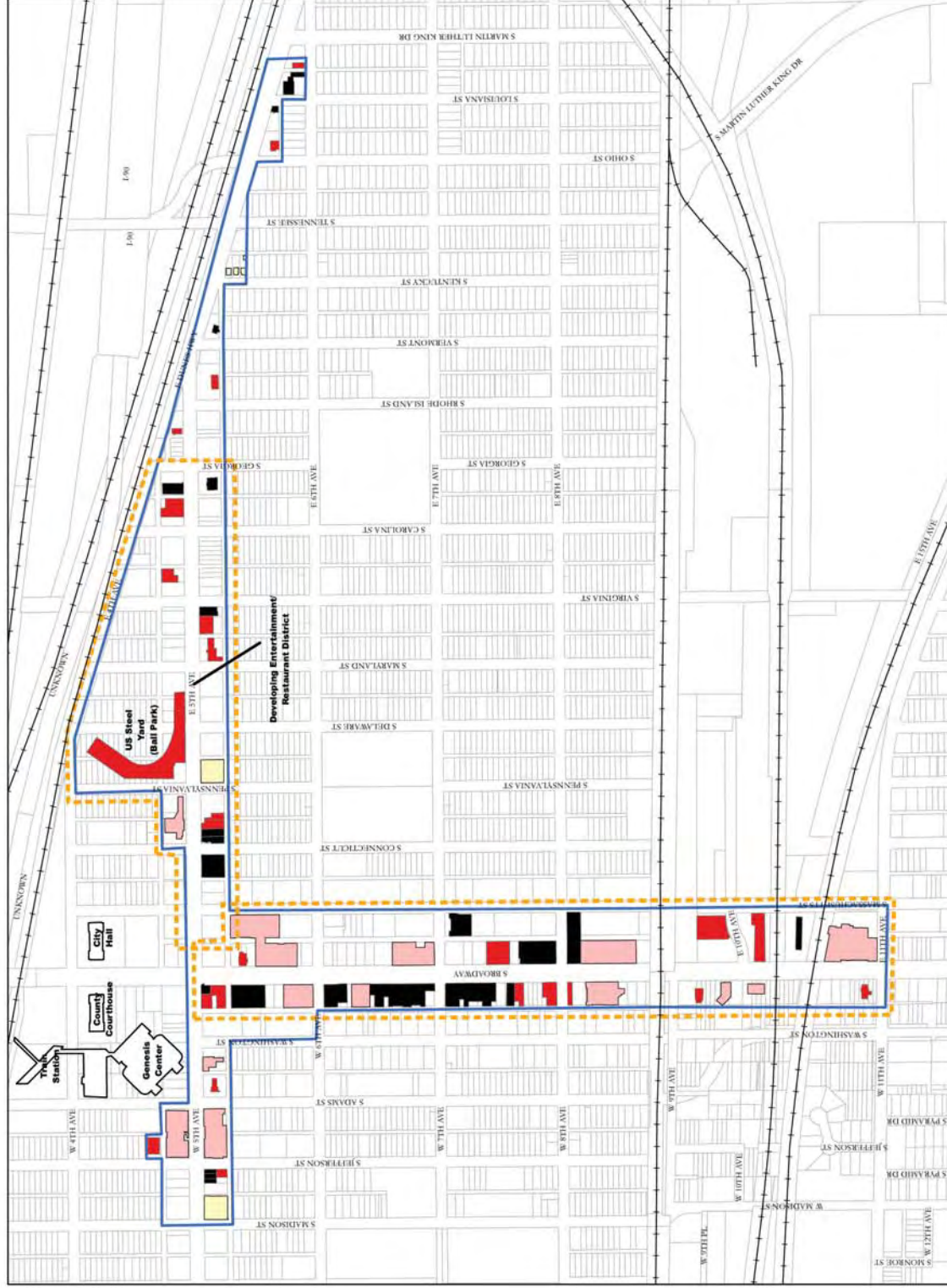
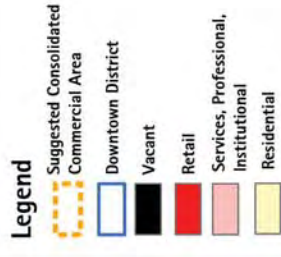


Figure 9.2: Downtown Commercial District



City of Gary, Indiana

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Figure 9.2: Downtown Commercial District

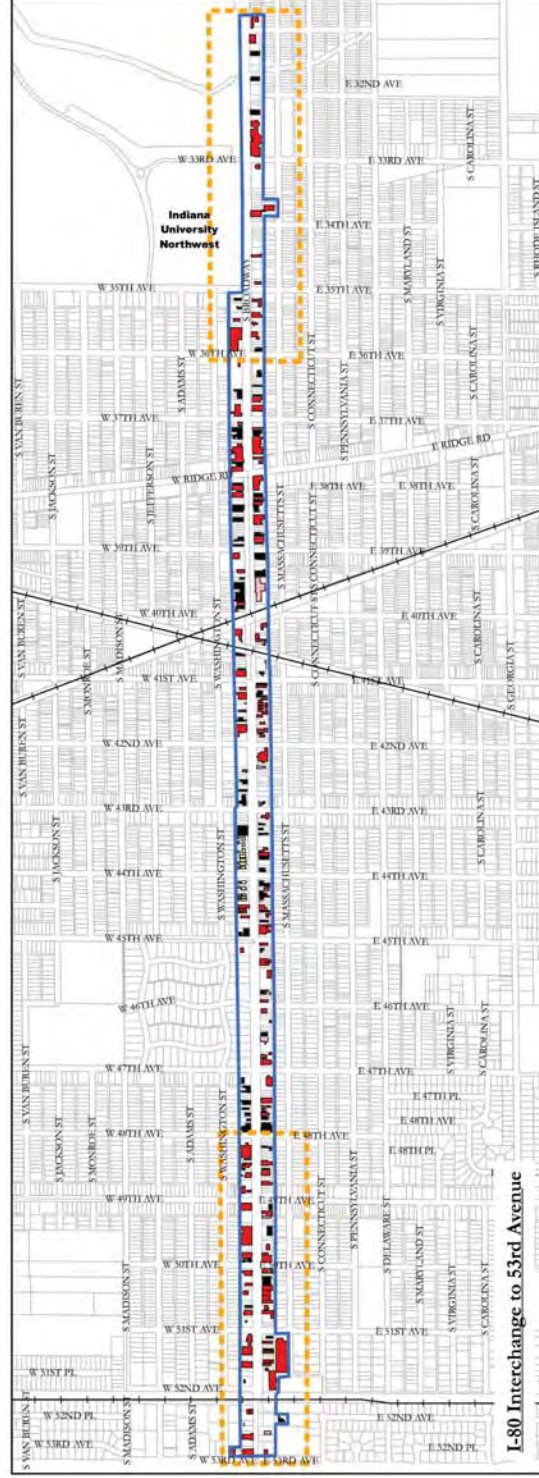
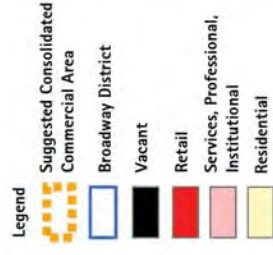


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Figure 9.3: Broadway Commercial District



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Figure 9.3: Broadway Commercial District



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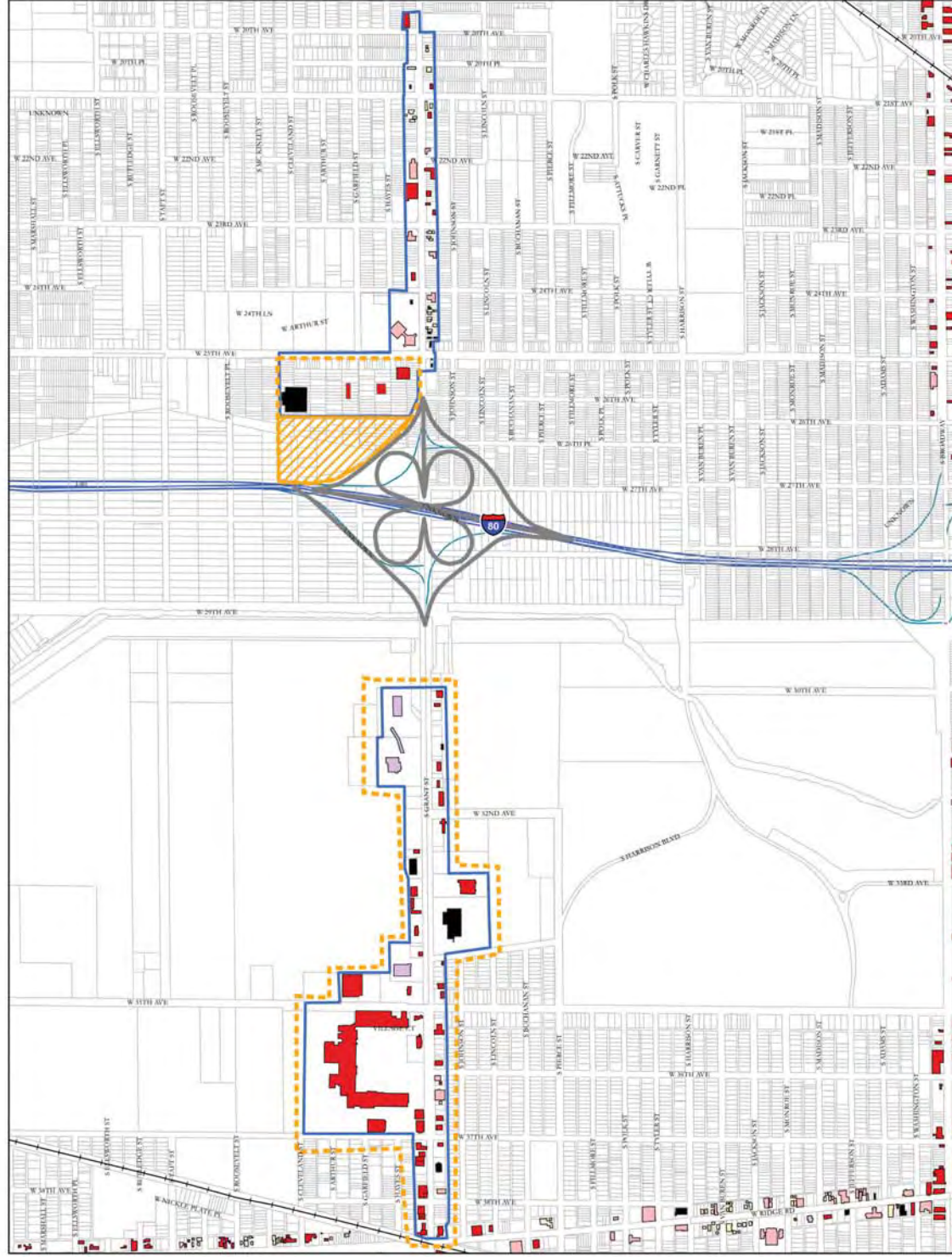


Figure 9.5: US 20 & Lake Street Commercial District


Legend



**Figure 9.6: Grant Street
Commercial District -**



Legend

 Suggested Consolidated Commercial Area Potential Retail Site☐ Grant Street District

Vacant

Retail

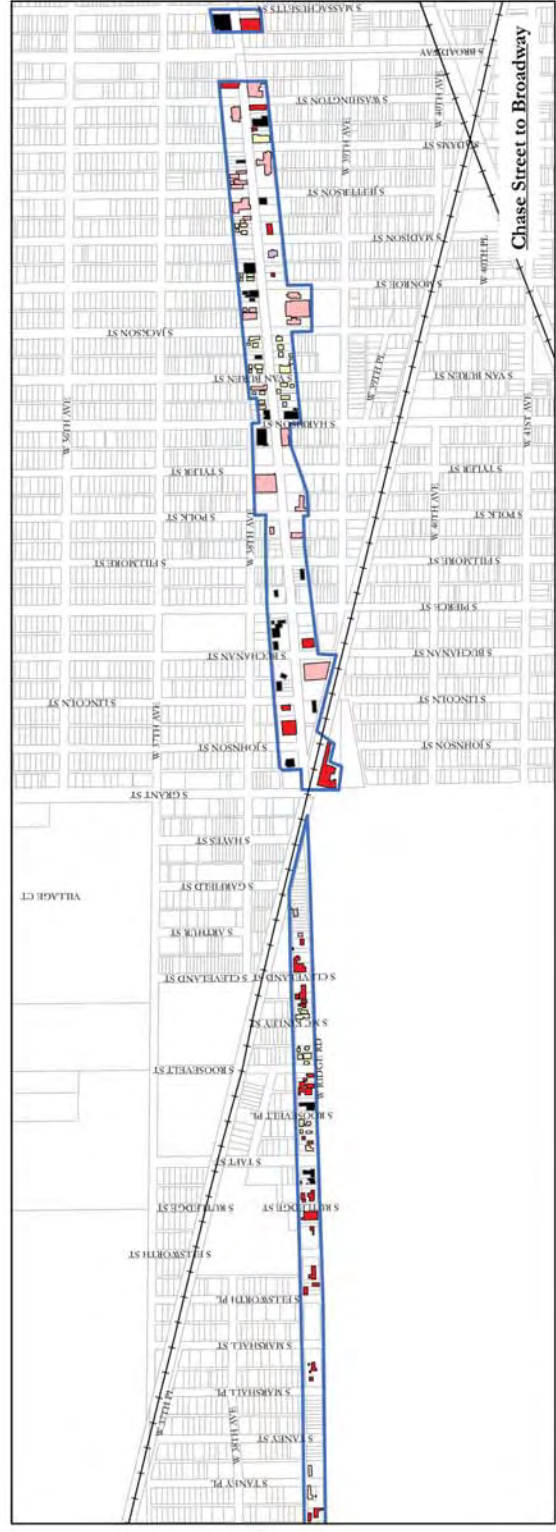
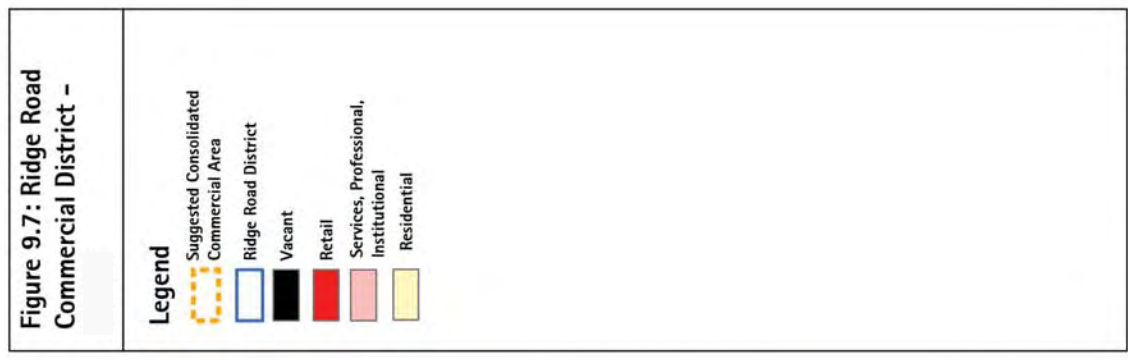
Services Professional

Institutional

Residential

Industrial

1



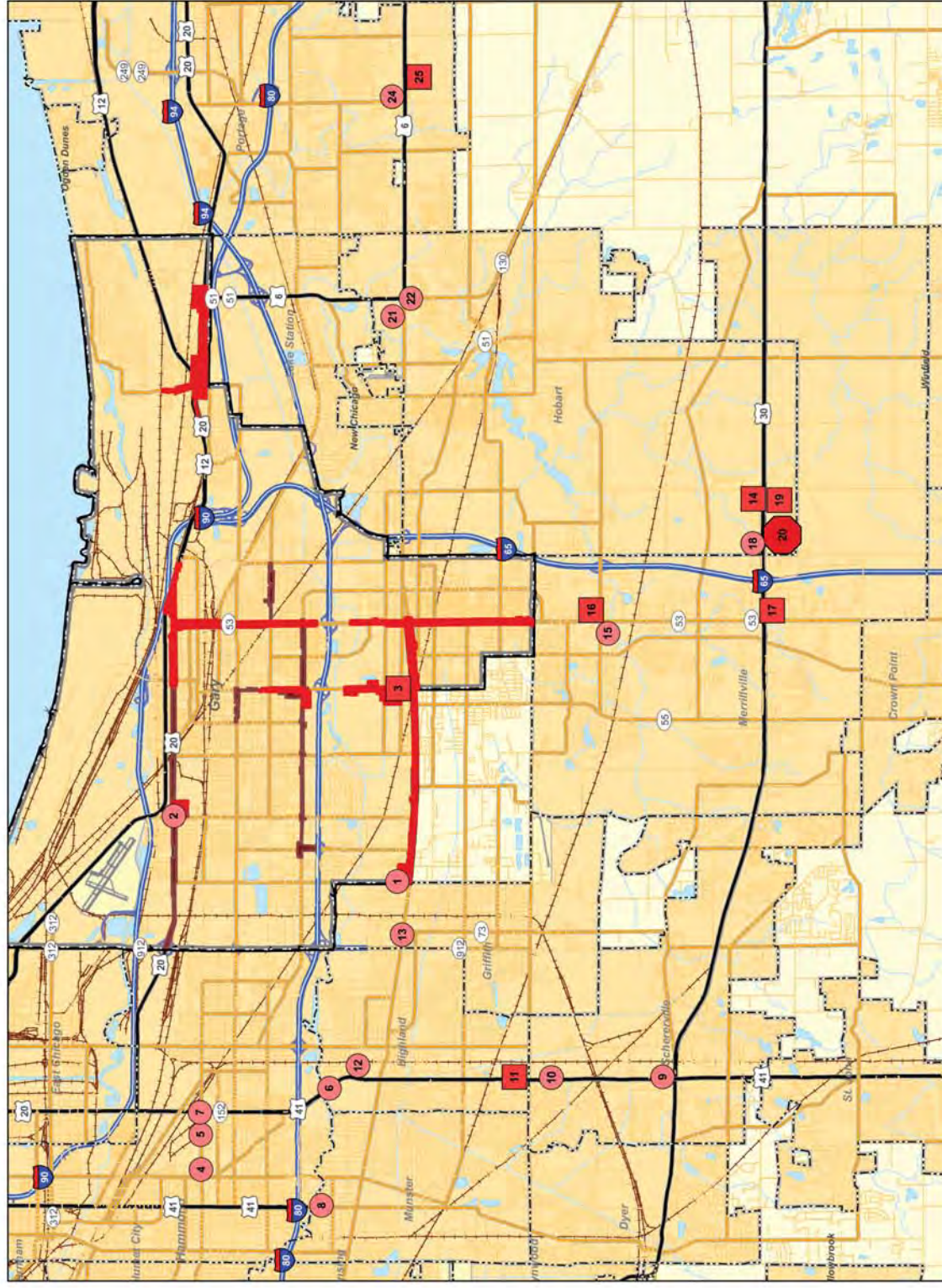
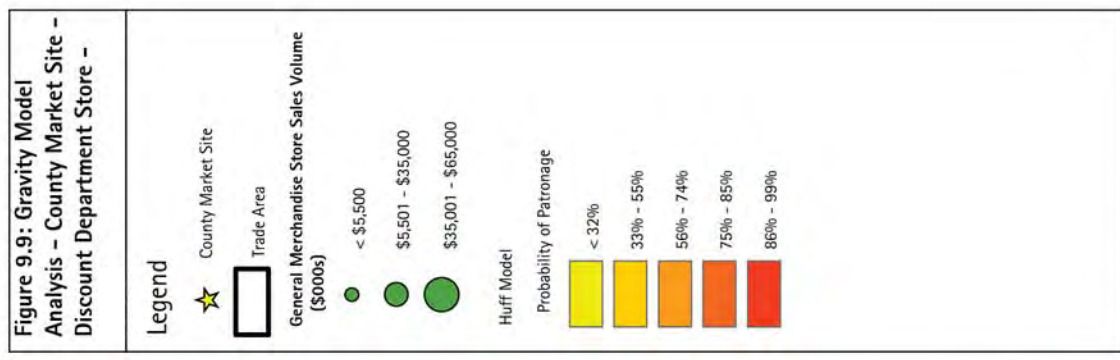
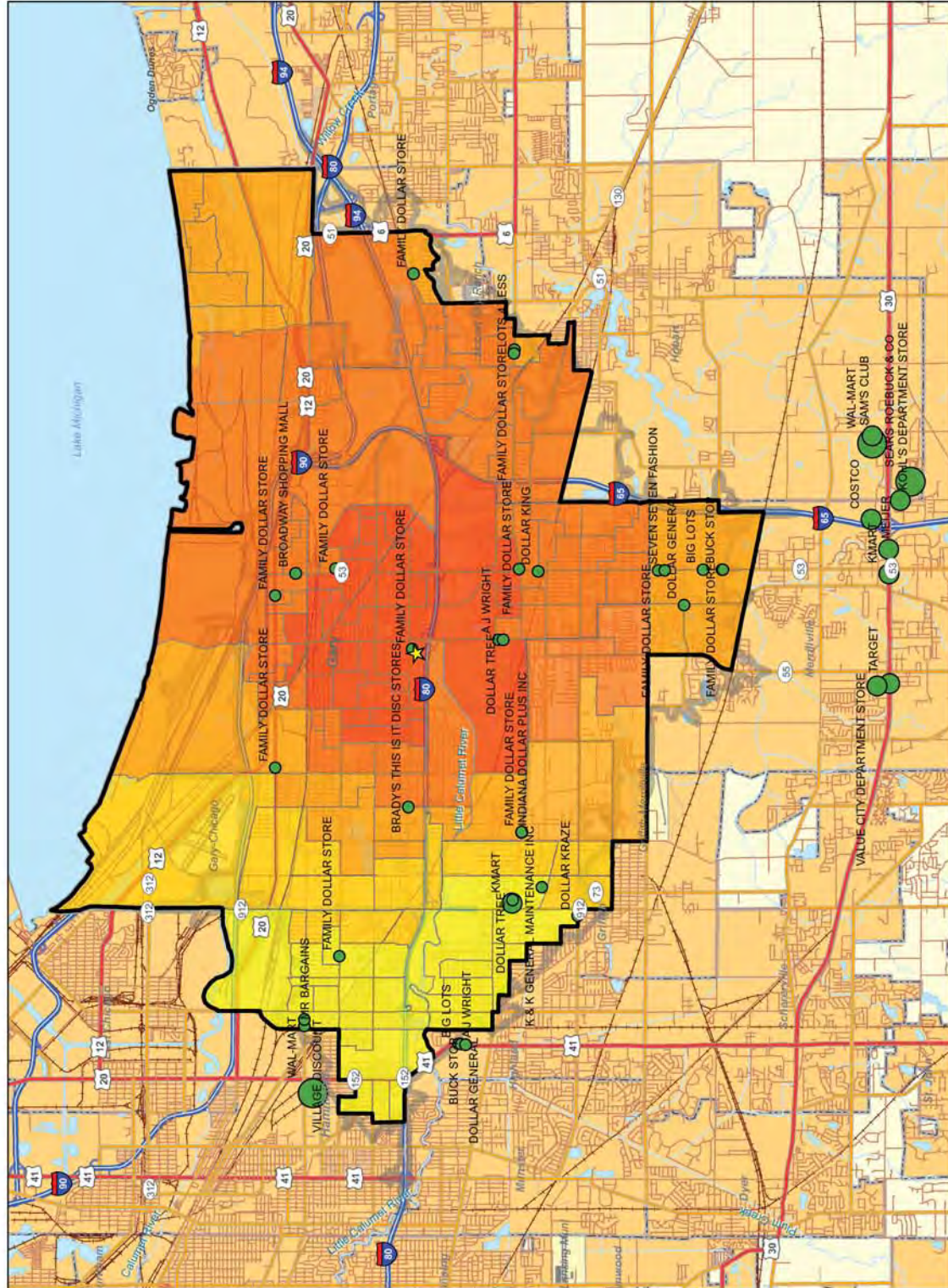


Figure 9.8: Competitive Shopping Centers & Gary's Commercial Districts -

Legend

Shopping Center Type

- Community
- Regional
- Super Regional
- Primary Commercial Districts
- Secondary Commercial District



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Figure 9.9: Gravity Model Analysis - County Market Site - Discount Department Store



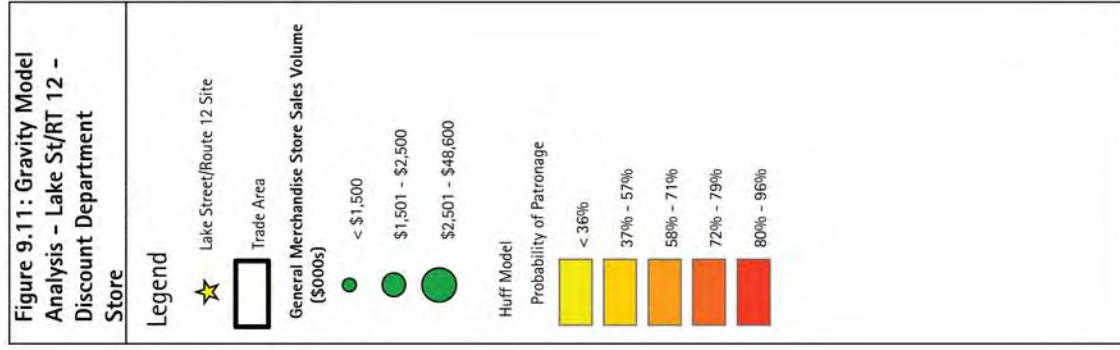
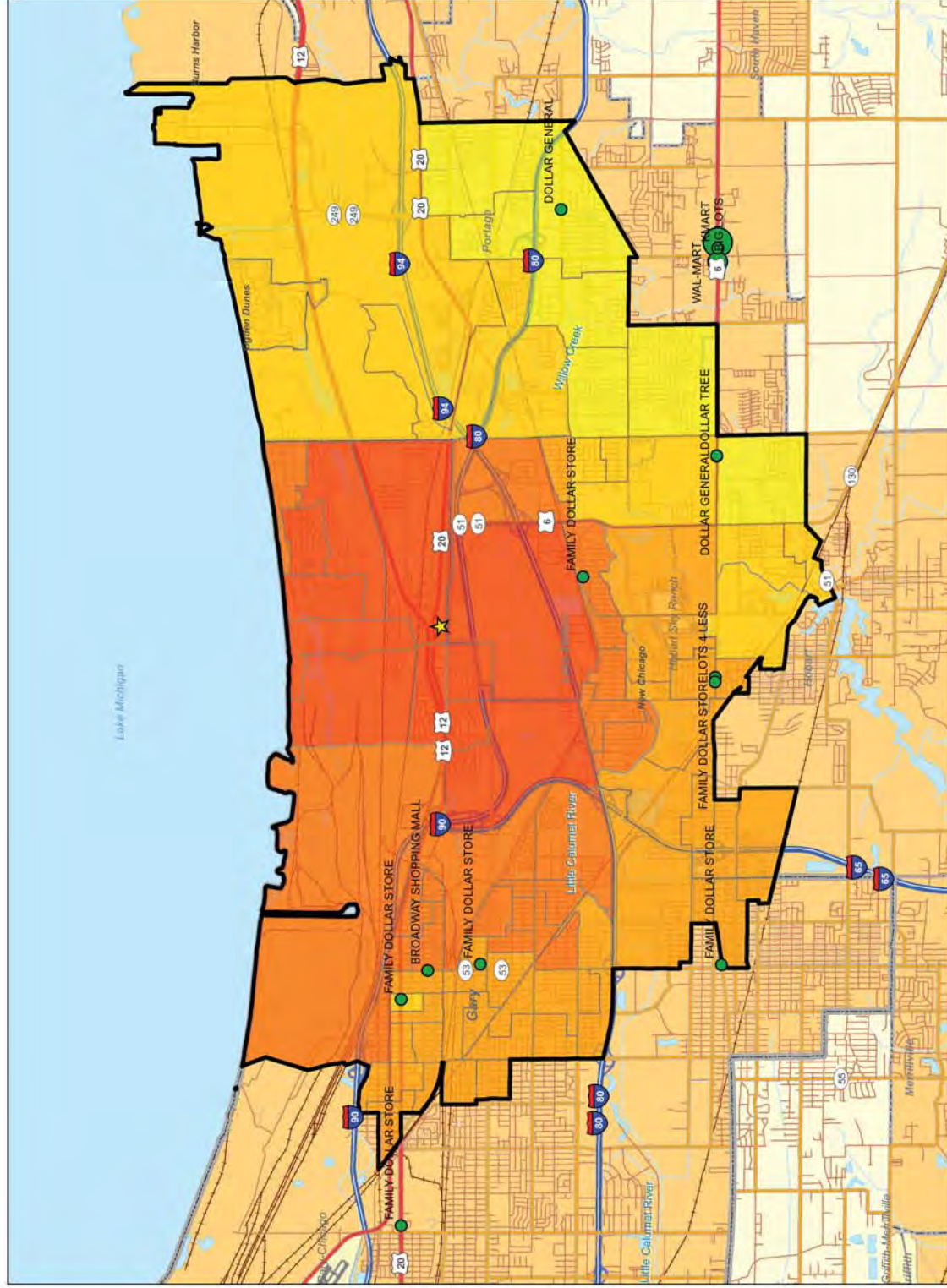
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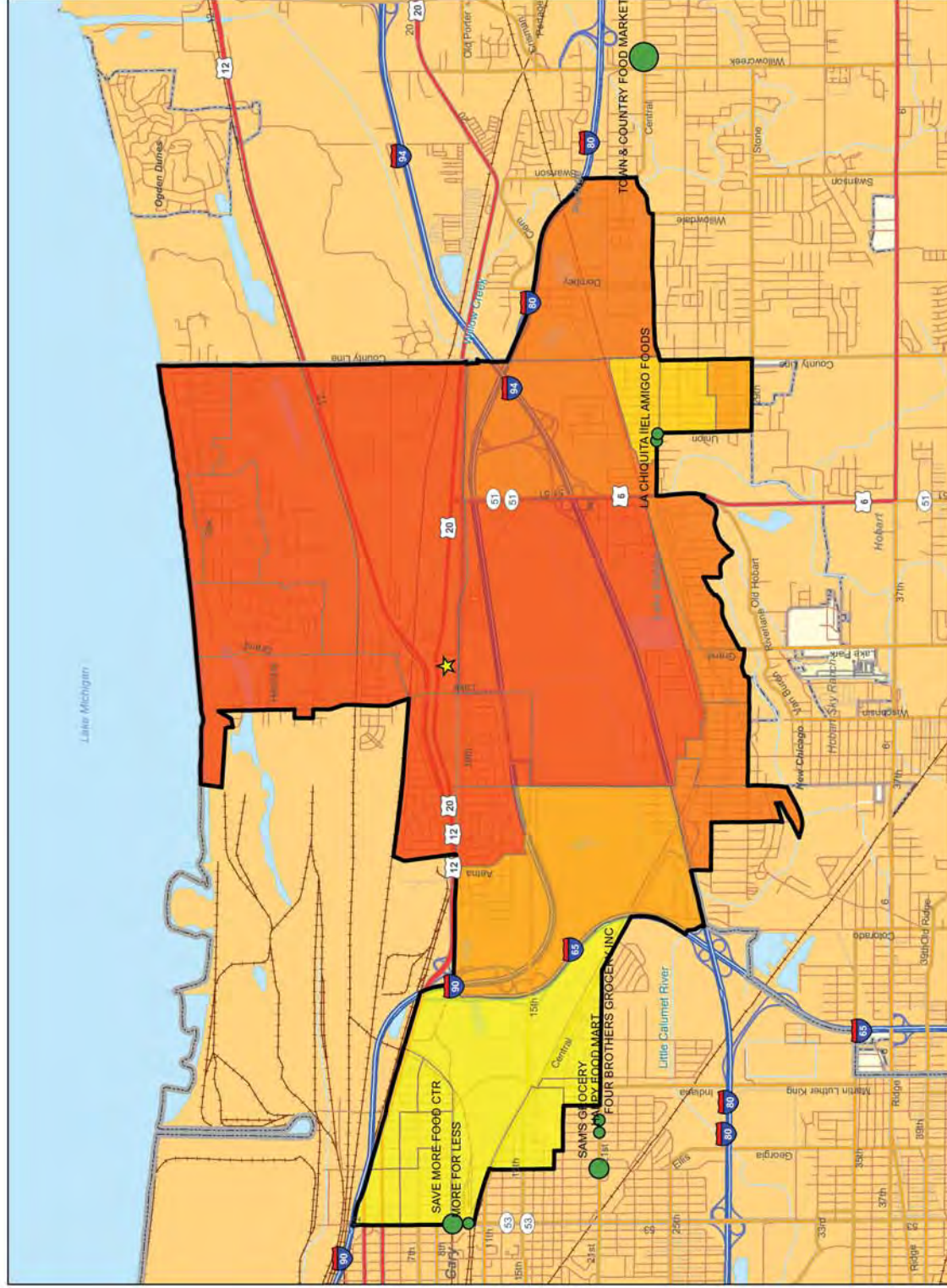


Figure 9.12: Gravity Model Analysis - Lake St/RT 12 - Grocery Store

Legend

★ Lake Street/Route 12 Site

Trade Area

Grocery Store Sales Volume (\$000s)

< \$1,000

\$1,001 - \$7,500

\$7,501 - \$37,050

Huff Model

Probability of Patronage

< 36%

37% - 62%

62% - 84%

85% - 92%

93% - 99%

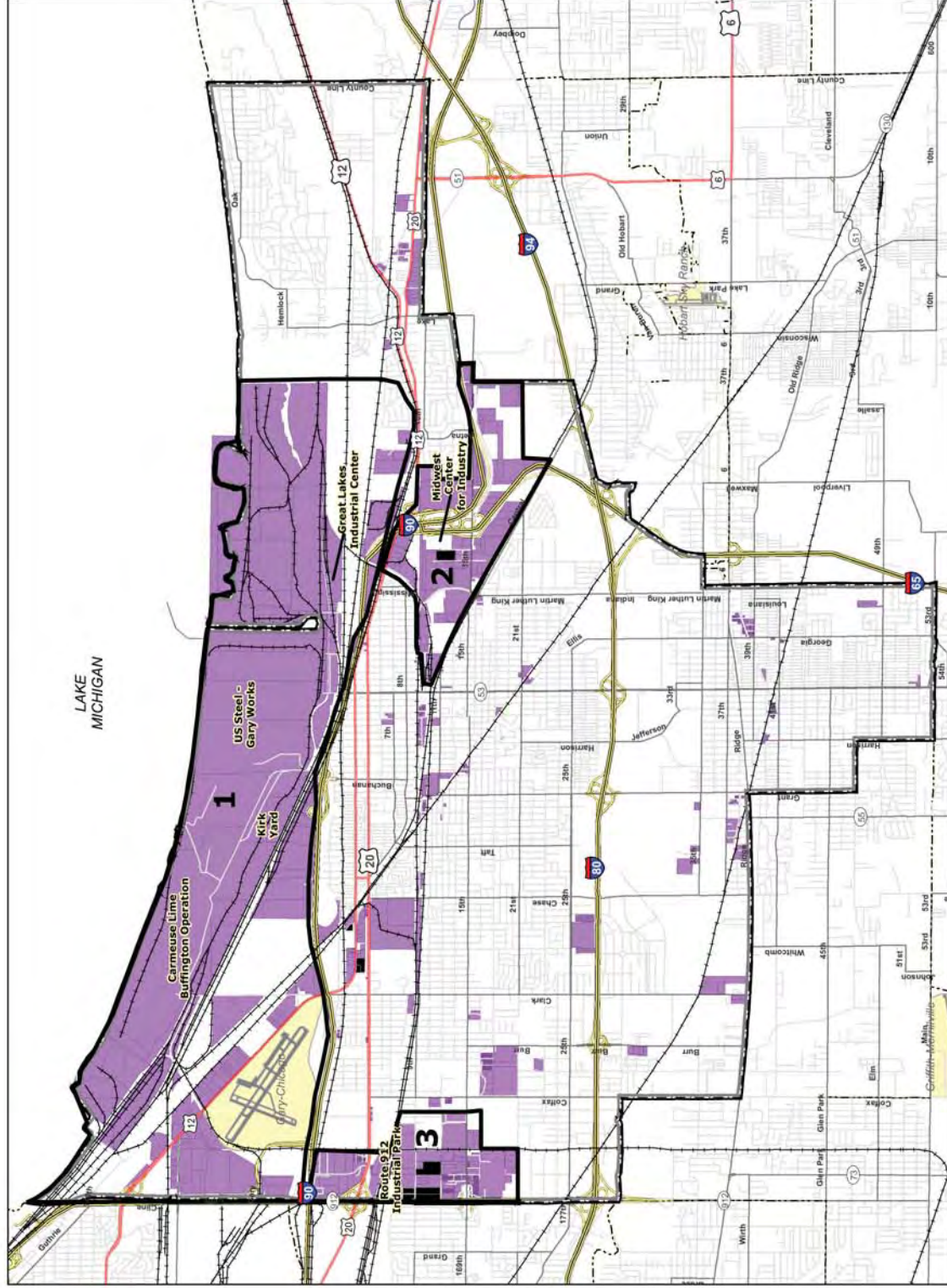


Figure 9.13: Distribution of Existing Industrial Land Uses

- Legend**
- Land Use
- Industrial
 - Vacant Industrial
 - Major Industrial Areas
 - 1 Industrial between Lake Michigan and I-90
 - 2 Industrial near I-90/I-65 Interchange
 - 3 Route 912 Industrial

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Figure 9.13: Distribution of Existing Industrial Land Uses



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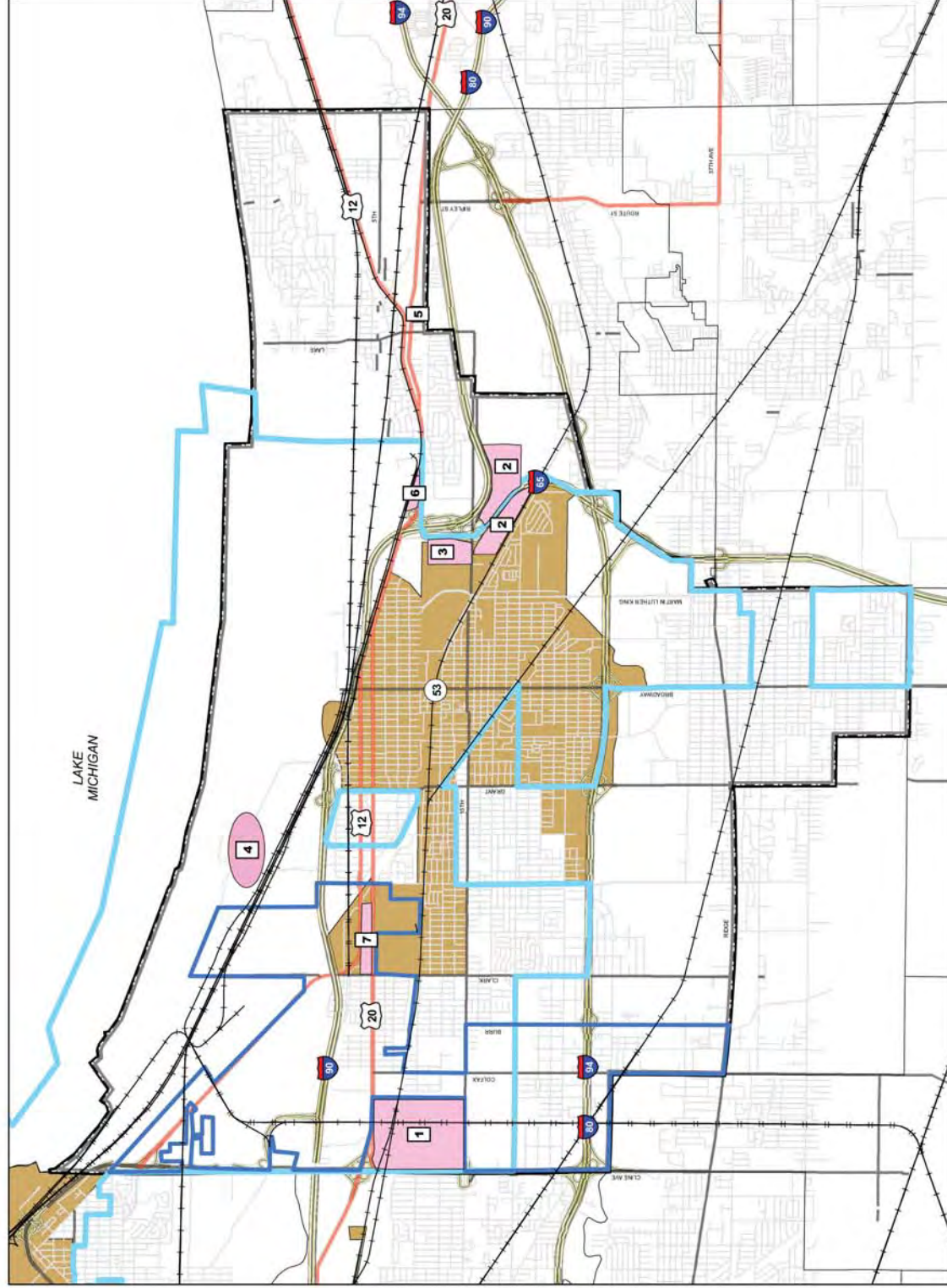
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Figure 9.14: Development Opportunity Sites in Gary



*Boundaries reproduced based on maps made available by *Gary/Chicago International Airport, Gary-East Chicago-Hammond Empowerment Zone, and U.S. Small Business Administration*

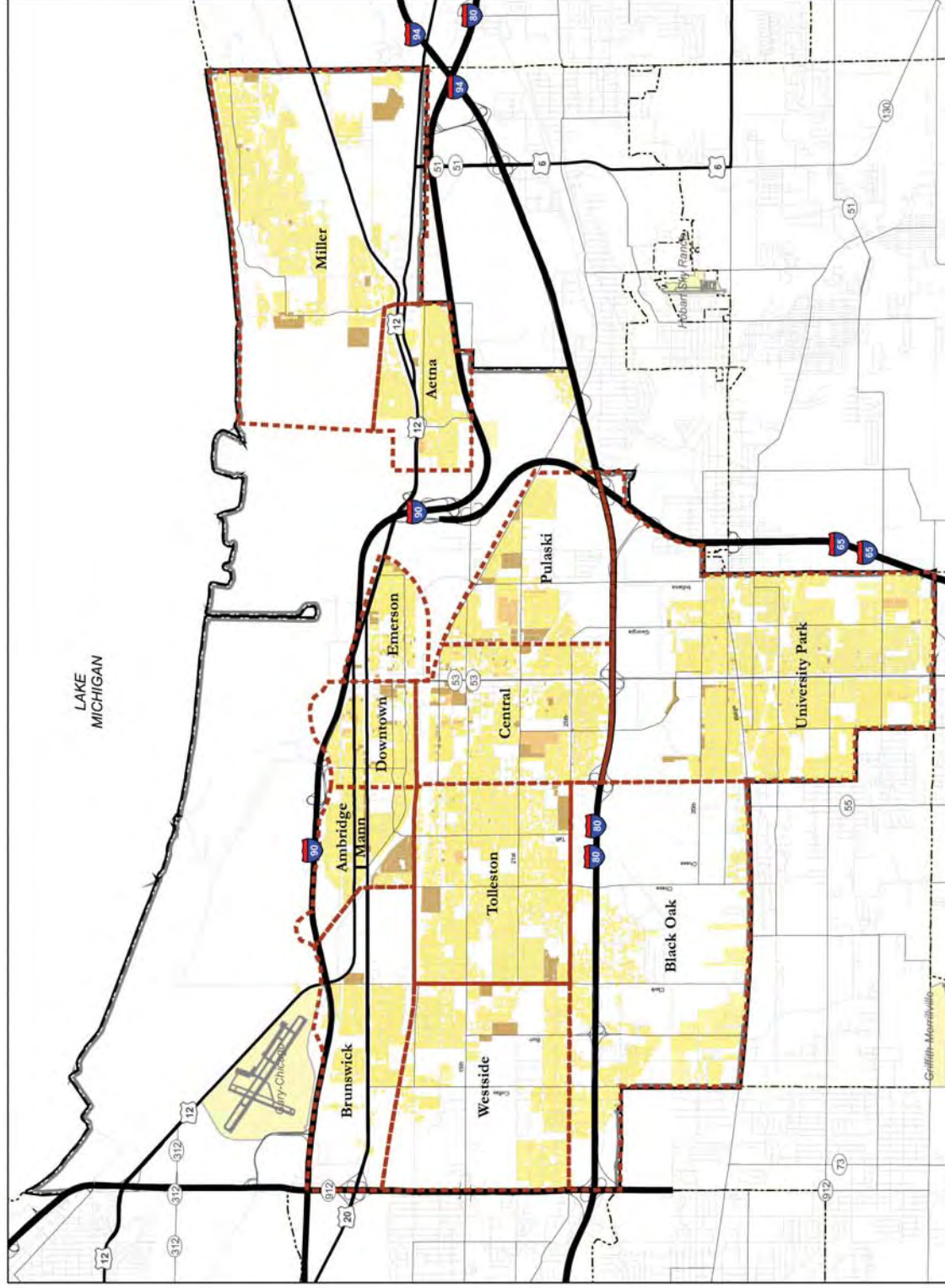


Figure 9.15: Distribution of Existing Residential Land Uses



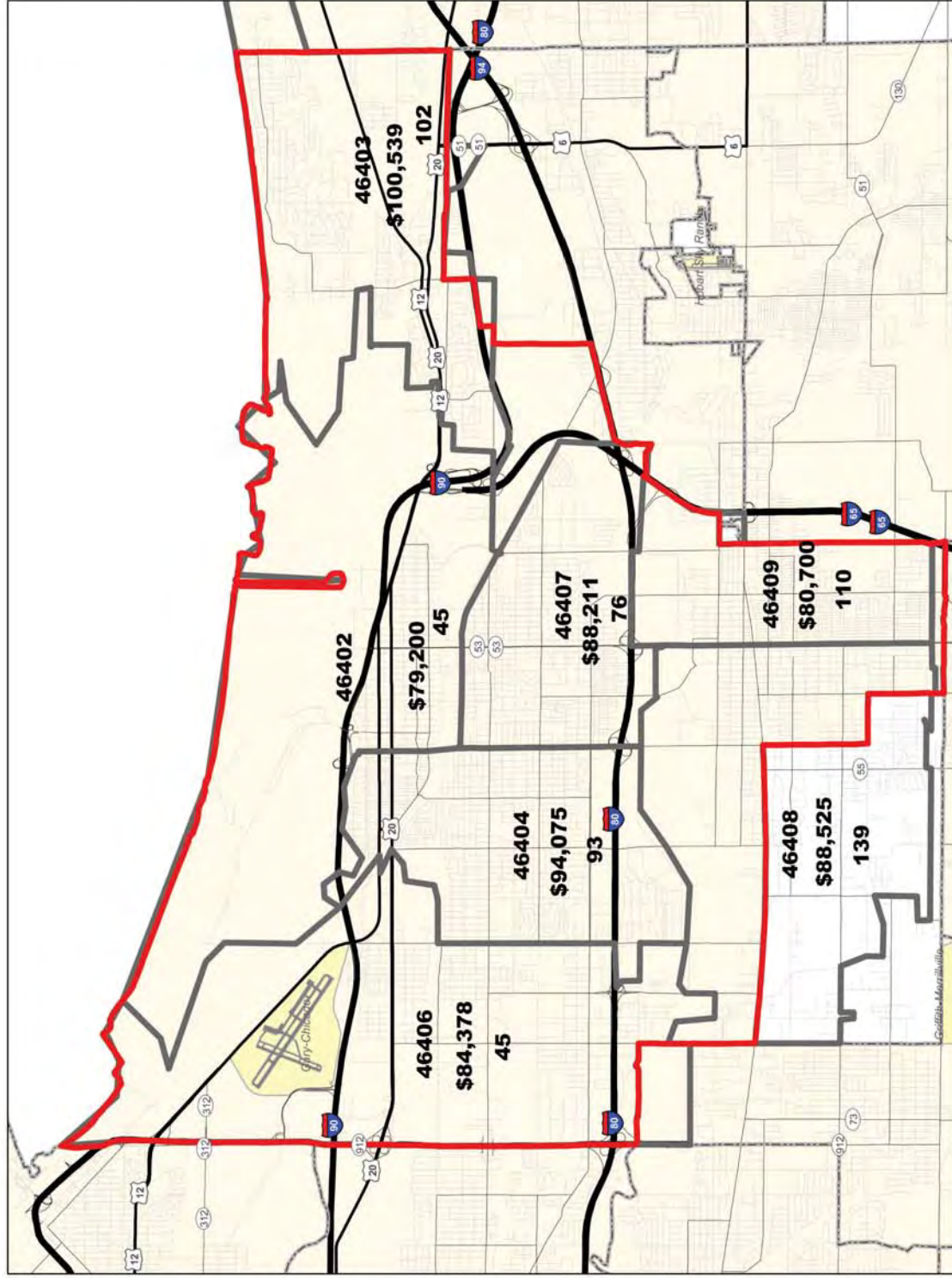
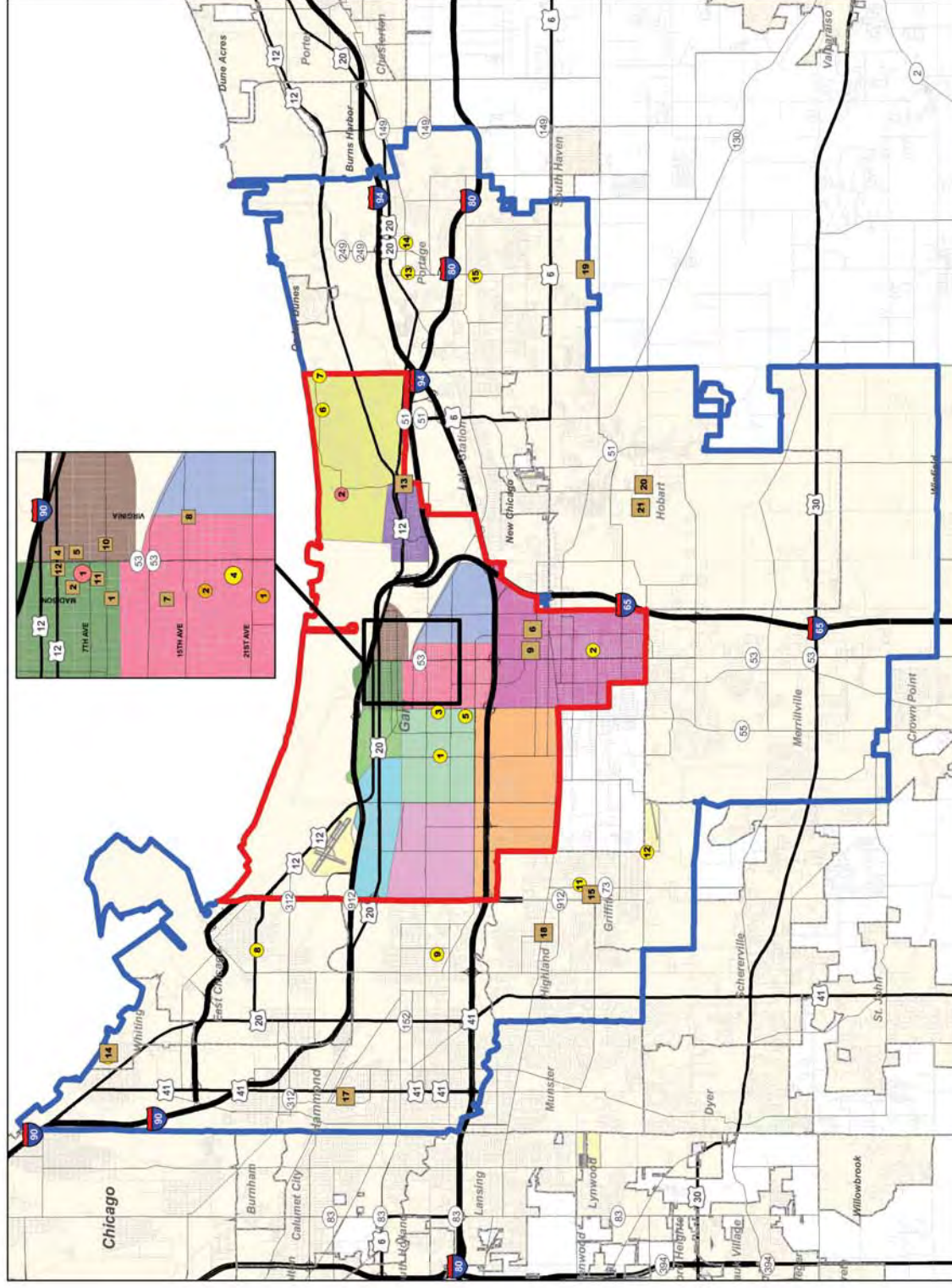


Figure 9.16: 2007 Residential Sales by Zipcode

Legend

- City of Gary
- Zipcode
- Average Sale Price
- Number of Sales



City of Gary, Indiana

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Figure 9.17: Active & Planned Residential Projects



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